

**NEW ISSUE
BOOK-ENTRY ONLY**

See "RATINGS" herein

In the opinion of Swendseid & Stern, a member in Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2001A Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2001A Bonds (the "Tax Code"), and interest on the 2001A Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS." HOWEVER, IN THE OPINION OF BOND COUNSEL, INTEREST ON THE 2001B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.



\$448,810,000

**Truckee Meadows Water Authority
Water Revenue (Tax-Exempt) Bonds
Series 2001A**

\$3,600,000

**Truckee Meadows Water Authority
Water Revenue (Taxable) Bonds
Series 2001B**

Dated: June 1, 2001

Due: July 1, as shown herein

The Bonds are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York ("DTC"), securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE BONDS--Book-Entry Only System." The Bonds bear interest at the rates set forth on the inside cover page, payable on January 1, 2002, and semiannually thereafter on January 1 and July 1 of each year, to and including the maturity dates shown on the inside front cover, unless the Bonds are redeemed earlier, by check or draft mailed to the registered owner of the Bonds, initially Cede & Co. The principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at BNY Western Trust Company, Los Angeles, California (the "Trustee"), or its successor, as the paying agent for the Bonds. See "THE BONDS."

Maturity schedules for each series of Bonds appear on the inside cover page.

The 2001A Bonds are subject to redemption prior to maturity as described in "THE BONDS--Redemption Provisions of 2001A Bonds." The 2001B Bonds are not subject to redemption prior to maturity.

Proceeds of the Bonds will be used to: (i) finance the acquisition of an existing water system (the "Water System") for the benefit of the water customers of the Authority and its Member municipalities and fund other capital costs; (ii) fund a Reserve Account for the Bonds; (iii) pay capitalized interest on the Bonds; (iv) fund other accounts created by the Bond Resolution; (v) acquire a municipal bond insurance policy for the Bonds; and (vi) pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds constitute special, limited obligations of the Authority. The principal of and interest on the Bonds is payable solely from and secured by an irrevocable pledge of the Net Revenues (defined herein) derived by the Authority from the operation of the Water System, together with certain interest income and other amounts as provided in the Bond Resolution (defined herein). The Bonds constitute an irrevocable pledge of the Net Revenues and the Bond Fund and the Reserve Account established by the Bond Resolution. See "SECURITY FOR THE BONDS." **The Bonds do not constitute a general obligation of the Authority. Owners of the Bonds may not look to any funds or accounts of the Authority other than those specifically pledged to the payment of the Bonds. The Bonds do not constitute an obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada.** The Authority has no taxing power.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC. See "BOND INSURANCE."



This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

The Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriters subject to the approval of the legality of the Bonds by Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada, Bond Counsel, and the satisfaction of certain other conditions. Swendseid & Stern, a member in Sherman & Howard L.L.C. also has acted as special counsel to the Authority in connection with the Official Statement. Orrick, Herrington & Sutcliffe LLP has acted as counsel to the Underwriters. Certain legal matters will be passed upon for the Authority by the Washoe County District Attorney. Hobbs, Ong & Associates, Inc., Las Vegas, Nevada, and Public Financial Management, Inc., San Francisco, California, have acted as the financial advisors to the Authority. See "FINANCIAL ADVISORS." It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about June 11, 2001.

Goldman, Sachs & Co.

A.G. Edwards & Sons, Inc.

Banc of America Securities LLC

Morgan Stanley & Co. Incorporated

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The proceeds from the sale of the Bonds (net of accrued interest) are expected to be applied in the following manner:

Estimated Sources and Uses of Funds

	<u>Amount</u>
SOURCES:	
Principal amount of 2001A Bonds	\$448,810,000
Principal amount of 2001B Bonds	3,600,000
Less net original issue discount	(4,809,897)
Total	<u>\$447,600,103</u>
USES:	
Acquisition Fund	
Series 2001A deposit	\$346,500,000
Series 2001B deposit	3,500,000
Start-up funding (1)	3,700,000
Other capital improvements (2)	40,059,561
Operations and maintenance funding (3)	6,000,000
Capitalized interest (4)	6,059,663
Costs of Issuance (including underwriting discount and bond insurance premium)	7,061,449
Operation and Maintenance Reserve Account	4,600,000
Reserve Account	<u>30,119,430</u>
Total	<u>\$447,600,103</u>

- (1) Represents amounts needed by the Authority to commence operations, including the purchase of insurance policies and vehicles, the transfer of water rights, procurement of office space, furniture, utilities, and other operating costs required prior to the first collection of rates and charges.
- (2) Represents an amount that, together with interest earnings at an estimated rate of 3% per annum, is expected to be sufficient to fund scheduled improvements in the first two years of the Authority's Capital Improvement Plan. See "THE WATER SYSTEM--Capital Improvement Plan" and the Engineer's Report attached hereto as Appendix F.
- (3) Provides approximately three months of projected operation and maintenance expenses.
- (4) Represents an amount that, together with interest earnings at an estimated rate of 3% per annum, is expected to be sufficient to pay interest on the Bonds through September 15, 2001.

The Project

Acquisition of the Water System. The majority of the proceeds of the Bonds will be used by the Authority to acquire the Water System, including without limitation, water rights and supplies, water storage rights and facilities, water distribution and treatment facilities, four hydroelectric generation facilities and related flumes and canals, buildings and other structures, and vehicles and equipment. See "THE WATER SYSTEM." Also see the Engineer's Report attached hereto as Appendix F for detailed descriptions of the Water System facilities.

In September 2000, Sierra Pacific Resources (SPPCo's parent company) announced its intention to sell its water utility business. Reno, Sparks and the County submitted a joint proposal to purchase the Water System and subsequently entered into the Cooperative Agreement to form the Authority and facilitate the purchase of the Water System. With the assistance of the parties described in "INTRODUCTION--Professionals," the Authority evaluated the value of the assets and liabilities associated with the Water System, the market factors related to a successful bid for purchase of the Water System and the amount the Authority reasonably could pay to purchase the Water System. After that process, the Authority submitted a bid (which ultimately was the successful bid) to acquire the Water System and entered into the Asset Purchase Agreement with SPPCo.

Pursuant to the Asset Purchase Agreement, the Authority must close on the Water System purchase within 45 days after the occurrence of two regulatory events: (1) the PUCN approval of SPPCo's sale of the Water System and (2) consent by the federal government of SPPCo's assignment of its existing interim water storage agreement to the Authority. The federal government has consented to SPPCo's assignment of the interim storage agreement to the Authority. The PUCN held a hearing on March 14, 2001 to consider SPPCo's sale of the Water System and approved the sale on April 27, 2001. Accordingly, the acquisition must close by June 11, 2001. In addition, the sale of certain of the hydroelectric generation and transmission facilities are located in California; the sale of those facilities to the Authority must be approved by the California public utilities commission. As described below, approval from the California public utilities commission is not a precondition to closing on the sale of the Water System.

The Asset Purchase Agreement established a purchase price of \$350 million for the Water System's assets. However, the purchase price is subject to adjustment ("true-up") to account for capital improvements made by SPPCo between September 30, 2000, and the closing date. The Asset Purchase Agreement requires that SPPCo deliver a statement of the Net Worth Amount of Water System assets (generally defined as Water System assets less liabilities as of the closing date) within 60 days of the closing date. If the Net Worth Amount is higher than the purchase price, the Authority must pay the difference to SPPCo; if the Net Worth Amount is less than the purchase price, the Authority will receive payment for the difference from SPPCo. Any dispute of the Net Worth Amount must be made within 30 days after delivery of the Net Worth Amount statement. The Asset Purchase Agreement provides a mechanism to resolve any disputes between SPPCo and the Authority with respect to the Net Worth Amount. Any differences between the purchase price and the Net Worth Amount must be paid within 10 days of the final resolution of any disputes. Currently, the Authority expects to pay SPPCo approximately \$4 million for additional capital improvements; however, most of those improvements have been included in the Authority's capital improvement program and funds for a portion of those costs are included in the "other capital improvements" amounts set forth in the "Estimated Sources and Uses of Funds" table above.

The required regulatory approvals with respect to the hydroelectric facilities will not be received by the closing date. According to the Asset Purchase Agreement, the Authority will acquire all of the Water System assets (other than the hydroelectric facilities) on the date of closing at a purchase price of approximately \$342 million. Pursuant to a Contract for Operation of Hydro Facilities to be entered into by the Authority and SPPCo prior to the closing (the "Hydro Contract"), Sierra Pacific will continue to own, operate and maintain the hydroelectric facilities for the benefit

of the Authority (using Authority personnel to the maximum extent practicable). As a practical matter, at the time of the closing, the Authority will get beneficial use of the hydroelectric facilities (including their associated water rights and an energy credit from SPPCo) as if it were the owner of such facilities. The Asset Purchase Agreement requires the Authority to purchase the hydroelectric facilities (which the Authority intends to purchase with the proceeds of the 2001B Bonds and a small portion of the proceeds of the 2001A Bonds) within 60 days of receipt of all required regulatory approvals. Notwithstanding the foregoing, one of SPPCo's four hydroelectric plants (the Farad plant) currently is out of service due to damage sustained in a 1997 flood. SPPCo currently is in the process of designing replacement facilities and obtaining the necessary permits to put the Farad Plant back in service. Pursuant to the Asset Purchase Agreement, \$2 million of the purchase price (expected to be paid from the proceeds of the 2001B Bonds) will not be paid until either (i) SPPCo has reconstructed the Farad Plant in a manner reasonably acceptable to the Authority or (ii) SPPCo's insurer with respect to the damage claim has consented to the assignment of the claim to the Authority under terms acceptable to the Authority. In addition, the purchase price for the Water System's assets will be reduced by \$1 million as a result of the Authority's purchase of environmental exposure insurance for events occurring prior to closing on terms reasonably acceptable to SPPCo. See "THE WATER SYSTEM--Insurance."

Start Up Costs and Other Capital Costs. As shown in the "Estimated Sources and Uses of Funds" table above, a portion of the 2001A Bonds proceeds will provide funds to allow the Authority to begin operations and continue operating until it begins to receive Water System revenues (see "WATER SYSTEM FINANCIAL INFORMATION--Billing and Collection Procedures"). The proceeds of the 2001A Bonds, together with interest earnings, also will be used to fund additional Water System capital projects identified in the first two years of the Authority's Capital Improvement Plan. A list of those projects and their costs can be found in the Engineer's Report attached hereto as Appendix F. There is no assurance that the Authority will complete all of the projects identified in the Capital Improvement Plan or that such projects will be completed at the times contemplated. If critical capital improvements are not completed, operation of the Water System may be negatively effected.

Other Uses of Bonds Proceeds. As set forth in the "Estimated Sources and Uses of Funds" table above, the remaining Bond proceeds, together with interest earnings thereon, are expected to be used to fund capitalized interest through September 15, 2001, to fund certain accounts established by the Bond Resolution (including the Reserve Account), and to pay the costs of issuing the Bonds.